

## Have the Tech Giants Been DeFAANGed?

Wes Crill, PhD  
Head of Investment Strategists and Vice President

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Investors expecting FAANG<sup>1</sup> stocks to continue the extraordinary performance of recent years must be disappointed by their returns in 2022 (see **Exhibit 1**). All five of the stocks lagged the broad US market through May 31, with Facebook (now known as Meta) and Netflix suffering particularly sharp losses. The group collectively underperformed the Russell 3000 Index<sup>2</sup> by nearly eleven percentage points.<sup>3</sup>

### Exhibit 1 Bite Wounds

Cumulative returns of  
FAANG stocks, January 1,  
2022–May 31, 2022



**Past performance is not a guarantee of future results.**

*Source: Bloomberg. Facebook and Google now known as Meta and Alphabet, respectively.*

This year's swoon came on the heels of a stellar decade—the FAANGs returned 28.02% per year from 2012 to 2021. Their returns dwarfed the performance of the Russell 3000 Index, which returned 16.3% per year.



This year's reversal is a reminder that **investors should be cautious when assuming past returns will continue in the future**. FAANG stock performance in recent years reflected these companies achieving financial success that exceeded most investors' expectations. That's in the past, though. Even if these companies sustain their success (and things have been looking gloomy for Netflix!), it may not translate to spectacular future returns. Excellence from the FAANGs may now be the expectation and not the basis for above-market returns.

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1. Facebook-parent Meta; Amazon; Apple; Netflix; and Google-parent Alphabet.
  2. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Index has been included for comparative purposes only.
  3. FAANG stock returns are computed as the average of Facebook (Meta), Apple, Amazon, Netflix, and Google (Alphabet share classes A and C) weighted by market capitalization at beginning of month.

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